DECLASSIFIED

PET 14 LIBYA

Department of State

TELEGRAM

427

CONFIDENTIAL 899

PAGE 01 TRIPOL 00159 261100Z

12
ACTION E-11

INFO OCT-01 AF-08 EUR-20 EA-11 NEA-09 OPIC-12 AID-20 COM-08
INT-06 OEP-01 TRSE-00 CIAE-00 DODE-00 PM-06 H-02
INR-06 L-03 SAE-00 NSC-10 P-03 RSC-01 SRS-01 SS-14
USIA-12 RSR-01 /166 W
---------- 091843

R 251529Z JAN 72
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 8424
INFO USINT ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY BENGHAZI
AMEMBASSY CERACAS
AMCONSUL DHAHRAN
AMEMBASSY DJAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TEHRAN
USOECD/PARIS UNN

C O N F I D E N T I A L TRIPOLI 0159

SUBJ: LIBYA AND PARITY NEGOTIATIONS

REF: TRIPOLI 128; LONDON 677 (NOTAL) Pet-14 LIBYA

SUMMARY: LIBYANS WILL PROBABLY BEGIN NEGOTIATIONS WITH ONE OR MORE PRODUCING COMPANIES FOLLOWING CURRENT MUSLIM HOLIDAYS. THEY ARE EXPECTED TO INSIST UPON MORE THAN THE 8.49#PERCENT INCREASE AGREED UPON IN GENEVA, PLUS DEMAND RETROACTIVE PAYMENTS. PARTICIPATION IS STILL PROBABLY ON BACK BURNER, BUT COULD INFLUENCE SEVERITY OF LIBYAN TACTICS ON PARITY QUESTION. END SUMMARY.

CJ 3/4/82

CONFIDENTIAL

DECLASSIFIED

UNCLASSIFIED

Department of State TELEGRAM

CONFIDENTIAL

PAGE 02 TRIPOL 00159 261100Z

1. [ ] WE HAVE B1
DERIVED THE FOLLOWING PICTURE OF UPCOMING LARG COMPANY NEGOTIATIONS ON PARITY AND PARTICIPATION ISSUES: A) WILLIAMSON OF OCCIDENTAL LONDON MADE ONE-DAY VISIT TO TRIPOLI JANUARY 24 AT REQUEST MINISTER OF PETROLEUM MABRUK (LONDON REFTEL). MABRUK MADE CLEAR TO WILLIAMSON LARG COULD NOT ACCEPT GENEVA FORMULA, WAS "AMAZED" THERE HAD BEEN NO PROVISION FOR RETROACTIVE PAYMENTS AND, THOUGH WISHING BEGIN NEGOTIATIONS ON LIBYAN FORMULA "SOON", HE PRESENTED NO FIGURE OR TIMETABLE FOR THE NEGOTIATIONS. [ ] DID NOT ATTRIBUTE GREAT IMPORTANCE TO WILLIAMSON BEING SUMMONED TO TRIPOLI BECAUSE HE IS WELL KNOWN HERE AND IS ALSO OXY REP IN LONDON WORKING GROUP. AFTER PRODDING [ ] CONCEDED WILLIAMSON INTERVIEW WITH MABRUK B1
COULD INDICATE LIBYANS PREPARING TO START PARITY NEGOTIATIONS WITH OXY RATHER THAN WITH OTHER COMPANY OR GROUPS OF COMPANIES; B) WE UNDERSTAND LONDON WORKING GROUP CURRENTLY HAMMERING OUT COMPANIES' INITIAL PROPOSAL REGARDING PARITY, WHICH WILL BE READY FOR PRESENTATION TO LARG AFTER THE CURRENT MUSLIM HOLIDAYS, OR ABOUT JANARY 29-30; C) [ ] RAY OF HOPE IN THAT ONE B1
PETROLEUM MINISTRY SOURCE EXPRESSED CONCERN ABOUT WHAT NEW POSTED PRICE INCREASE WOULD DO TO MARKETABILITY OF LIBYAN CRUDE. ADDITIONALLY, [ ] LIBYANS MIGHT BE A B1
LITTLE MORE REASONABLE ON PARITY QUESTION IF THEY THOUGHT THEY WOULD SOON OWN PART OF LOCAL INDUSTRY ANYWAY THROUGH PARTICIPATION.

COMMENT: COMPANIES ARE OBVIOUSLY IN FOR ANOTHER HARD BARGAINING SESSION HERE IN LIBYA. WE, HOWEVER, DRAW SOME ENCOURAGEMENT RE OUTCOME FROM FACT THAT SO FAR (A) LIBYANS PROCEEDING MUCH MORE SLOWLY AND LESS CONFIDENTLY THAN IN LAST YEAR'S NEGOTIATIONS; (B) THEY SEEM PREPARED TO ENGAGE IN BUSINESS-LIKE NEGOTIATIONS WITHOUT TUB-THUMPING AND THREATS OF UNILATERAL ACTION; AND (C) TANKER RATES, EUROPEAN OIL STOCKS AND WORLD PRICE STRUCTURE FOR CRUDE ALL FAVOR COMPANIES, NOT LIBYAN, NEGOTIATING POSITION. WE SUSPECT PROBLEM OF RETROACTIVE PAYMENTS MAY BECOME MOST TROUBLESOME OF ALL BECAUSE COMPANIES VIEW ANY RETROACTIVE PROVISION AS PURELY ARBITRARY AND LIBYAN DEMAND NOT LINKED TO ANY IDENTIFIABLE CONSIDERATIONS OF GEOGRAPHY OR PETROLEUM QUALITY.
GP-4.
PALMER

NOTE FM O'E: # AS RECEIVED. WILL BE SERVICED UPON REQUEST.

CONFIDENTIAL

DECLASSIFIED

DECLASSIFIED PET 15-2 Libya
XR FN 10 Libya

FORM DS 322(OCR)

| 015175 | 270156Z JAN 72 | ROGERS

(428)

CONFIDENTIAL

AF/N:WARREN CLARK:RJP
1/26/72 EXT. 21774
AF/N:JAMES J. BLAKE

E/FSE:GORDON BROWN

ROUTINE TRIPOLI

ROUTINE BENGHAZI, BONN, LONDON, PARIS

LIMDIS

NOFORN

SUBJECT: LIBYAN OIL AND FOREIGN EXCHANGE

1. [redacted] B1
BRIEFED DEPTOFF CLARK JAN 25 ON RECENT TRIP TO LIBYA AND THE MIDDLE EAST ON PETROLEUM QUESTIONS.

2. HE SAID WEEK PRIOR BP NATIONALIZATION LARG* TRANSFERRED 1.5 BILLION DOLLARS IN STERLING FROM LONDON VIA OVERSEAS BRANCHES US BANKS. ANTICIPATING DECLINE IN DOLLAR, LARG AUTHORITIES INSTRUCTED BANKS PLACE AS MUCH AS POSSIBLE IN OTHER CURRENCIES. LIMITED AMOUNT PLACED IN FRENCH FRANCS AND DM, BUT DUE "THIN" SPOT MARKET THESE CURRENCIES MOST FUNDS TRANSFERRED INTO DOLLARS. HE CONFIRMED EARLIER REPORTS LIBYAN FOREIGN EXCHANGE LOSSES FOLLOWING TRANSFER FROM STERLING INTO DOLLARS RESULTED IN LOSS TO LIBYA OF 25 TO 30 MILLION DOLLARS.

3. [redacted] B1
LOSS VIEWED BY LARG AS INSURANCE PREMIUM AGAINST REAL LIBYAN FEAR BI*RITISH WOULD BLOCK LIBYAN FUNDS IN LONDON AFTER BP NATIONALIZATION. QADHAFI ADVISED THAT SHOULD LARG NOW NATIONALIZE US OIL COMPANIES, US AUTHORITIES WOULD GET TOGETHER WITH HMG TO BLOCK TRANSFER OF BOTH DOLLARS AND STERLING. QADHAFI BELIEVES THIS TO BE TRUE AND HAS NO PLANS NOW TO NATIONALIZE US COMPANIES.

DECLASSIFIED

CONFIDENTIAL

DECLASSIFIED

FORM DS 322A(OCR)

CONFIDENTIAL 1 2

4. [ ] WAS INFORMED LARG NOT PARTICULARLY ANXIOUS MARKET NATIONALIZED BP NOW. LARG HAS NO NEED FOR THIS REVENUE AT PRESENT, AND AS OIL PRICES LIKELY TO CONTINUE UPWARD MOVEMENT, LARG BELIEVES OIL NOW WORTH MORE IN THE GROUND, EVEN TAKING INTO ACCOUNT LOWER PRESENT VALUE OF FUTURE OIL INCOME. [ ] SAID HE COULD NOT FAULT THIS ARGUMENT. B1

5. DESPIRITE BP NATIONALIZATION [ ] SAID LIBYANS GOING FORWARD WITH PLANS FOR JOINT BANK TO BE ESTABLISHED IN LONDON, PARTLY WITH LIBYAN CAPITAL, WHICH WOULD INCLUDE PARTNERSHIP WITH MIDLAND BANK AND CREDIT LYONNAIS. HE SIAISAID ABDULLA SAUDI, LIBYAN CENTRAL BANK MANAGER IN CHARGE OF RESERVES PORTFOLIO, ACTIVE IN THIS VENTURE. B1

6. [ ] BELIEVES PERSONALLY AFTER SIX OR EIGHT MONTHS LARG LEADERSHIP WILL BECOME DISENCHANTED LACK OF COOPERATION BY EASTERN ARABS IN CAR AND OTHER JOINT PROJECTS. HE BELIEVES LARG WILL THEN BECOME INCREASINGLY INWARD LOOKING, CONCENTRATING ON INTERNAL DEVELOPMENT RATHER THAN ON INTRACTIBLE MIDEAST PROBLEMS. [ ] VIEW PROBABLY INFLUENCED BY HIS CONTACTS WITH WORKING LEVEL LIBYAN TECHNICIANS WHO DOUBTLESS WOULD WELCOME SUCH DEVELOPMENT. YY B1

CONFIDENTIAL DECLASSIFIED